



UMUZIWABANTU MUNICIPALITY
Financial statements
for the year ended 30 June 2013
Auditor General

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

General Information

Municipal Council

District Council Representatives

Councillors

M.B Gavu (Deputy Mayor)
M.P. Mteshane
D. Nciki (Executive Mayor)
M.B Gavu (Deputy Mayor)
A.D. Ngubo (Speaker)
N.B. Dlamini (Exco Member)
M. Gallagher
M.S. Charane
A.T.C. Houston
T.H. Chiliza
D.S. Dlamini
M.J. Jali
X. Ndlangisa
M.V. Vezí
C.Z. Skosana
C.P. Nkomo
M.P. Mteshane
M.V. Nyathi
S.O. Njongo
S.W. Vetthe
H.J. Ngubelanga

Grading of local authority

Grade 3

Municipal Manager

S D Mbhele

Chief Finance Officer (CFO)

ST Mhlongo

Registered office

Murchison Street
Harding
4680

Postal address

Private Bag X1023
Harding
4680

Bankers

Nedbank
First National Bank

Auditors

Auditor General

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Index	Page
Accounting Officers' Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Changes in Net Assets	6
Statement of Financial Performance	5
Cash Flow Statement	7
Appropriation Statement	8 - 9
Accounting Policies	10 - 25
Notes to the Financial Statements	26 - 50
Appendixes:	
Appendix A: Bank Account	51
Appendix D: Segmental Statement of Financial Performance	54
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	56

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Officers' Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 58 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



S D Mbhele
Municipal Manager

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

	Note(s)	2013 R	Restated 2012 R
Assets			
Current Assets			
Inventories			
Receivables	8	165,559	208,173
Receivables from exchange other transactions	5	80,217	133,548
VAT receivable	9	367,810	1,476,567
Consumer debtors	10	2,832,789	2,139,346
Cash and cash equivalents	11	9,471,379	12,518,140
	12	33,134,892	31,502,730
		46,052,646	47,978,504
Non-Current Assets			
Investment property			
Property, plant and equipment	2	1,686,000	1,568,400
Intangible assets	3	141,890,019	117,132,478
Receivables	4	-	65,959
Plantation Investments	5	500	89,933
	7	20,075,689	17,152,921
		163,652,208	136,009,691
Non-Current Assets		163,652,208	136,009,691
Current Assets		46,052,646	47,978,504
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		209,704,854	183,988,195
Liabilities			
Current Liabilities			
Other financial liabilities			
Finance lease obligation	15	77,032	207,569
Payables from exchange transactions	16	448,899	193,504
Consumer deposits	19	9,554,033	8,594,733
Unspent conditional grants and receipts	20	506,111	516,510
Provisions	17	13,182,220	26,692,691
	18	5,171,594	3,650,880
		28,939,889	39,855,887
Non-Current Liabilities			
Other financial liabilities			
Finance lease obligation	15	3,185	89,433
	16	440,208	387,359
		443,393	476,792
Non-Current Liabilities		443,393	476,792
Current Liabilities		28,939,889	39,855,887
Liabilities of disposal groups		-	-
Total Liabilities		29,383,282	40,332,679
Assets		209,704,854	183,988,195
Liabilities		(29,383,282)	(40,332,679)
Net Assets		180,321,572	143,655,516
Net Assets			
Reserves			
Revaluation reserve			
Accumulated surplus	13	26,468,400	26,468,400
		153,853,172	117,187,116
Total Net Assets		180,321,572	143,655,516

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

	Note(s)	2013 R	Restated 2012 R
Revenue			
Revenue from exchange transactions			
Afforestation Scheme sales		7,764,187	8,224,766
Service charges	23	21,014,983	19,385,794
Rental of facilities and equipment		113,368	101,437
Licences and permits		2,369,988	2,070,557
Other income	25	680,945	335,137
Government grants		27,102,243	17,735,681
Interest received - investment		1,592,461	1,658,788
Gains on disposal of assets		110,000	129,862
Total revenue from exchange transactions		60,748,175	49,642,022
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	10,115,572	8,276,069
Property rates - penalties imposed	22	462,729	1,017,315
Transfer revenue			
Government grants & subsidies		42,806,406	40,836,827
Fines		255,188	626,736
Total revenue from non-exchange transactions		53,639,895	50,756,947
		60,748,175	49,642,022
		53,639,895	50,756,947
Total revenue	21	114,388,070	100,398,969
Expenditure			
Personnel	27	(27,782,689)	(26,527,879)
Remuneration of councillors	28	(5,206,979)	(4,994,159)
Afforestation Scheme general expenses	29	(3,496,616)	(3,107,451)
Afforestation Scheme cost of sales		(4,220,150)	(4,859,801)
Depreciation and amortisation	33	(4,852,231)	(4,618,476)
Impairment loss/ Reversal of impairments	34	-	(1,238,219)
Finance costs	35	(103,583)	(187,899)
Debt impairment	30	(891,299)	(171,253)
Repairs and maintenance		(2,229,836)	(2,104,791)
Bulk purchases	40	(17,329,195)	(16,143,105)
Contracted services	38	(364,132)	(2,411,225)
Grants and subsidies paid	39	(220,000)	(157,500)
Loss on disposal of assets	3	-	(289,388)
General Expenses	26	(19,605,732)	(14,796,696)
Total expenditure		(86,302,442)	(81,607,842)
		-	-
Total revenue		114,388,070	100,398,969
Total expenditure		(86,302,442)	(81,607,842)
Operating surplus		28,085,628	18,791,127
Changes in value of plantation	32	2,957,366	(1,901,920)
Surplus before taxation		31,042,994	16,889,207
Taxation		-	-
Surplus for the year		31,042,994	16,889,207

UMUZIWABANTU MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total net Assets
	R	R	R
Restated Balance at 30 June 2012	26,468,400	100,297,909	126,766,309
Surplus for the year		16,889,207	16,889,207
Restated Balance at 30 June 2012	26,468,400	117,187,116	143,655,516
2012			
Balance at 30 June 2012	26,468,400	117,187,116	143,655,516
Prior year Correction of errors		5,623,062	5,623,062
Surplus for the year		31,042,994	31,042,994
Balance at 30 June 2013	26,468,400	153,853,172	180,321,572

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Cash Flow Statement

	Note(s)	2013 R	2012 R
Cash flows from operating activities			
Receipts			
Interest income		1,592,461	1,658,788
Payments			
Finance costs		(35,374)	(103,269)
Other payments		27,424,014	3,727,913
Other cash item	42	(1,266,737)	64,871,749
		26,121,903	68,496,393
Total receipts		1,592,461	1,658,788
Total payments		26,121,903	68,496,393
Net cash flows from operating activities	41	27,714,364	70,155,181
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(21,978,860)	(22,043,758)
Proceeds from sale of property, plant and equipment	3	1,815,229	(25,526)
Proceeds from sale of other intangible assets	4	32,730	-
Proceeds from sale of financial assets		142,764	(223,481)
Purchase of plantation investments		(2,922,768)	(17,152,921)
Net cash flows from investing activities		(22,910,905)	(39,445,686)
Cash flows from financing activities			
Proceeds from other financial liabilities		(2,129,698)	-
Repayment of other financial liabilities		1,912,913	297,002
Finance lease payments		240,035	496,233
Other cash item	42	(3,194,547)	-
Net cash flows from financing activities		(3,171,297)	793,235
Net increase/(decrease) in cash and cash equivalents		1,632,162	31,502,730
Cash and cash equivalents at the beginning of the year		31,502,730	-
Cash and cash equivalents at the end of the year	12	33,134,892	31,502,730

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amount

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2013											
Financial Performance											
Property rates	9,004,000	-	9,004,000	-	-	9,004,000	10,356,125	-	1,352,125	115 %	115 %
Service charges	22,688,000	393,000	23,081,000	-	-	23,081,000	20,952,619	-	(2,128,381)	91 %	92 %
Investment revenue	2,904,227	-	2,904,227	-	-	2,904,227	1,592,461	-	(1,311,766)	55 %	55 %
Transfers recognised - operational	47,280,000	(1,129,000)	46,151,000	-	-	46,151,000	40,570,978	-	(5,580,022)	88 %	86 %
Other own revenue	8,562,886	416,000	8,978,886	-	-	8,978,886	12,689,223	-	3,710,337	141 %	148 %
Total revenue (excluding capital transfers and contributions)	90,439,113	(320,000)	90,119,113	-	-	90,119,113	86,161,406	-	(3,957,707)	96 %	95 %
Employee costs	(27,836,984)	500,000	(27,336,984)	-	-	(27,336,984)	(27,782,689)	-	(445,705)	102 %	100 %
Remuneration of councillors	(5,018,000)	(432,000)	(5,450,000)	-	-	(5,450,000)	(5,206,979)	-	243,021	96 %	104 %
Debt impairment	1,000,000	(900,000)	100,000	-	-	100,000	(891,299)	-	(991,299)	(891)%	(89)%
Depreciation and asset impairment	(5,421,000)	26,000	(5,395,000)	-	-	(5,395,000)	(4,852,231)	-	542,769	90 %	90 %
Finance charges	(120,838)	(144,000)	(264,838)	-	-	(264,838)	(103,583)	-	161,255	39 %	86 %
Materials and bulk purchases	(20,844,000)	(1,716,000)	(22,560,000)	-	-	(22,560,000)	(17,329,195)	-	5,230,805	77 %	83 %
Transfers and grants	(220,000)	-	(220,000)	-	-	(220,000)	(220,000)	-	-	100 %	100 %
Other expenditure	(23,913,000)	477,000	(23,436,000)	-	-	(23,436,000)	(14,478,324)	-	8,957,676	62 %	61 %
Total expenditure	(82,373,822)	(2,189,000)	(84,562,822)	-	-	(84,562,822)	(70,864,300)	-	13,698,522	84 %	86 %
Total revenue (excluding capital transfers and contributions)	90,439,113	(320,000)	90,119,113	-	-	90,119,113	86,161,406	-	(3,957,707)	96 %	95 %
Total expenditure	(82,373,822)	(2,189,000)	(84,562,822)	-	-	(84,562,822)	(70,864,300)	-	13,698,522	84 %	86 %
Surplus/(Deficit)	8,065,291	(2,509,000)	5,556,291	-	-	5,556,291	15,297,106	-	9,740,815	275 %	190 %

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amount

Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)		Final adjustments		Shifting of funds (i.t.o. s31 of the MFMA)		Virement (i.t.o. council approved policy)		Final budget		Actual outcome		Unauthorised expenditure		Variance		Actual outcome as % of final budget		Actual outcome as % of original budget	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Transfers recognised - capital	22,948,957	5,000,000	27,948,957	-	-	-	-	-	27,948,957	-	-	-	-	-	(27,948,957)	-	-	-	-	
Contributions recognised - capital and contributed assets	1,500,000	1,500,000	3,000,000	-	-	-	-	-	3,000,000	-	-	-	-	-	(3,000,000)	-	-	-	-	
Surplus/(Deficit)	8,065,291	(2,509,000)	5,556,291	-	-	-	-	-	5,556,291	15,297,106	-	-	-	-	9,740,815	275 %	190 %	-	-	
Capital transfers and contributions	24,448,957	6,500,000	30,948,957	-	-	-	-	-	30,948,957	-	-	-	-	-	(30,948,957)	-	-	-	-	
Surplus (Deficit) after capital transfers and contributions	32,514,248	3,991,000	36,505,248	-	-	-	-	-	36,505,248	15,297,106	-	-	-	-	(21,208,142)	42 %	47 %	-	-	
Surplus (Deficit) after capital transfers and contributions	32,514,248	3,991,000	36,505,248	-	-	-	-	-	36,505,248	15,297,106	-	-	-	-	(21,208,142)	42 %	47 %	-	-	
Surplus/(Deficit) for the year	32,514,248	3,991,000	36,505,248	-	-	-	-	-	36,505,248	15,297,106	-	-	-	-	(21,208,142)	42 %	47 %	-	-	
Capital expenditure and funds sources																				
Total capital expenditure	20,000,000	(20,000,000)	-	1,500,000	-	-	-	-	1,500,000	(19,873,707)	-	-	-	-	(21,373,707)	(1,325)%	(99)%	-	-	
Sources of capital funds	25,948,957	5,000,000	30,948,957	-	-	-	-	-	30,948,957	-	-	-	-	-	(30,948,957)	-	-	-	-	
Transfers recognised - capital																				

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) on an accrual basis of accounting and in accordance with the historical cost convention, except where indicated otherwise

GRAP 1 : Presentation of financial statements
GRAP 2 : Cash flow statements
GRAP 3 : Accounting policies, changes in accounting estimates and errors
GRAP 4: The effects of Changes in Foreign Exchange Rates
GRAP 5: Borrowing Costs
GRAP 6: Consolidated and Separate Financial Statements
GRAP 7: Investments in Associates
GRAP 8: Interests in Joint Ventures
GRAP 9: Revenue from Exchange Transactions
GRAP 10: Financial Reporting in Hyperinflationary Economics
GRAP 11: Construction Contracts
GRAP 12: Inventories
GRAP 13: Leases
GRAP 14: Events after the Reporting Date
GRAP 16: Investment Property
GRAP 17: Property, Plant and Equipment
GRAP 19: Provisions, Contingent Liabilities and Contingent Assets
GRAP 100: Non-Current Assets held for Sale and Discontinued Operations
GRAP 101: Agriculture
GRAP 102: Intangible Assets
IFRS 3: Business Combinations
IAS 36: Impairment of Assets: Recognition and Measurement
IFRIC 4: Determining whether an Arrangement contains a Lease

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2013 the Municipality has adopted the accounting framework as set out above.

The Municipality changes an Accounting Policy only if the change :

a) is required by a Standard of GRAP; or listed below:

GRAP 21: Impairment of Non-cash -generating Assets
GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfer)
GRAP 24: Presentation of Budget information in Financial Statements - issued November 2007
GRAP 25: Employee Benefits
GRAP 26: Impairment of Cash-generating Assets
GRAP 103: Heritage Assets
GRAP 104: Financial Instruments

b) results in the Annual Financial Statements providing reliable and more relevant information about the effects transactions, other events or conditions have on the performance or cashflow

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Critical Judgements, Estimations and Assumptions

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements.

Revenue Recognition

Accounting Policy clause 9.1 on Revenue from Exchange Transactions and Accounting Policy clause 9.2 on Revenue from Non-exchange Transactions describe the conditions under which revenue will be recorded by the management of the Municipality

In making their judgement, the management considered the detailed criteria for the recognition of the revenue as set out in GRAP 9 (Revenue from Exchange Transactions) as far as Revenue from Non-Exchange Transaction is concerned (See basis for Preparation above), and in particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management.

Impairment of financial Assets

Accounting Policy Clause 5.4 on Impairment of Financial Assets describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria impairment of financial assets as set out in IAS 39: Financial Instruments - Recognition and Measurement. The management of the Municipality is satisfied that impairment of financial assets recorded during the year is appropriate.

Useful Lives of Property, Plant and Equipment

As described in the Accounting policy clauses 2.2, 3.2 and 4.2, the Municipality depreciates/amortises its Property, Plant and Equipment and Intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on the industry knowledge.

Impairment: Write down of Property, Plant and Equipment and Inventories

Significant estimates and judgements are made relating to Property, Plant and Equipment impairment tests and write down of inventories to Net Realisable Values.

1.3 Going Concern Assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.5 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.6 Standards, Amendments to Standards and Interpretations issued and adopted

The following GRAP standards have been issued and have been adopted by the municipality:

GRAP 21: Impairment of Non-cash -generating Assets

GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfer)

GRAP 24: Presentation of Budget information in Financial Statements - issued November 2007

GRAP 25: Employee Benefits

GRAP 26: Impairment of Cash-generating Assets

GRAP 103: Heritage Assets

GRAP 104: Financial Instruments

The following standards, amendments to standards and interpretations have been issued have been adopted by the municipality:

1.7 Property, plant and equipment

Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods and services, rental to others, or for administrative purposes, and are expected to be used for more than one year

The cost of an item of property, plant and equipment is recognised as an asset if, and equipment is recognised as an asset if, it is probable that future economic benefits or services potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed costs being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement - Revaluation Model

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently, all property, plant and equipment, except for infrastructure assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses..

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.7 Property, plant and equipment (continued)

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Roads	
• Roads and Paving	30
Community	
• Buildings	30
• Recreational Facilities	30
• Security	30
• Halls	30
• Libraries	30
• Parks and gardens	30
• Refuse Dump	20
Heritage assets	
• Buildings	30
• .	
Finance lease assts	
• Office equipment	5
• Other assets	5
Other property, plant and equipment	
• Specialist vehicles	2-15
• Other vehicles	2-15
• Bins and containers	2-15
• Office equipment	2-15
• Furniture and fittings	2-15
• Other items of plant and equipment	2-15
• Computer equipment	2-15
• Other	2-15

The assets' residual values, estimated useful lives and depreciation method are reviewed annually , and adjusted prospectively if appropriate, at each reporting date.

Landfill sites	20
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Land

Land is stated at the values reflected in the valuation roll. The effective date of the last valuation was 1 July 2009

Incomplete Construction Work - Cost Model

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.7 Property, plant and equipment (continued)

Derecognition of Property, Plant and Equipment

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The carrying amount of an item of property and equipment is derecognised on disposal, or when no future economic benefits or services potential are expected from the use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gain are not included in revenue

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from sales proceeds are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.7 Property, plant and equipment (continued)

Finance Leases

MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Impairment

Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the assets.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amount of those assets is estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.7 Property, plant and equipment (continued)

Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the assets.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amount of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.8 Intangible assets

Initial Recognition

Intangible assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for nominal consideration, its cost is its fair value as at the date it is acquired. When an intangible asset is acquired in exchange for non-monetary assets, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable its cost is the carrying amount of the asset(s) given up.

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as Intangible assets. The Municipality recognises an intangible asset in its statement of Financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.8 Intangible assets (continued)

Subsequent Measurement, Amortisation and Impairment

Amortisation is charged on a straight line basis over the intangible assets' useful lives, which are estimated to be between three to five years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised for example, servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.9 Investment property

Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

- all properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- land held for a currently undetermined future use (if the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- a building owned by the municipality (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property Plant and Equipment, Inventory or Non-current Assets held for sale, as appropriate;

- property intended for sale in the ordinary courses of operations or in the process of construction or development for such sale;
- owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal
- property that is being constructed or developed for future use as investment property
- property that is leased to another entity under a finance lease
- property held to provide a social service and which also generates cash inflows, e.g. Property rented out below market rental to sporting bodies, schools, low income families, etc; and property held for strategic purposes or service delivery

Subsequent Measurement

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Investment property is measured using the cost model and is estimated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is at 20-30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Performance.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.10 Financial instruments

Classification

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality may have the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Unlisted Investments
- Investments on Fixed Deposits(Banking institutions)
- Long-term receivables
- Consumer deposits
- Other debtors
- Bank, Cash and Cash Equivalents

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Assets	Classification in terms of IAS 39.09
Unlisted Investments - Stock	Held at Fair value through profit and loss
Bank, Cash and Cash Equivalents	Available for sale
Bank, Cash and Cash Equivalents - Call deposits	Available for sale
Long term receivables	Loans and receivables
Consumer deposits	Loans and receivables
Other debtors	Loans and receivables
Investment in Fixed deposits	Held to maturity
Bank,Cash and Cash Equivalents - Notice dep	Held to maturity

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions;

- they are classified as held for trading;or
- upon initial recognition they are designated at fair value through the Statement of Performance

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and receivables;
- Held-to-Maturity investments;or
- Financial assets at fair value through the Statement of Performance.

Loans and Receivables are non-directive financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and Receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost using the effective interest rate method less a provision for impairment.

Held -to-Maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash-on-hand (including petty cash) and cash with banks(including call deposits). Cash Equivalents are short term highly liquid investments, readily convertible in known amounts of cash, which are held with the registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of cashflow statement, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as a Financial asset : Available for sale.

Financial Liabilities - Classification

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.10 Financial instruments (continued)

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The Municipality may have the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes hereto:

- Long term Liabilities
- Creditors
- Bank Overdraft
- Short term loans
- Current portion of Long term Liabilities
- Consumer deposits

There are two main categories of Financial liabilities, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) fair value through profit and loss; or
- (ii) not at fair value through profit or loss ('other financial liabilities')

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. Purchased with the intention to sell or repurchase in the short-term; derivatives other than hedging instruments are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as other Financial Liabilities of the Municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Held-to-Maturity investment and loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

In accordance with IAS39.39 the financial liabilities are all classified as financial liabilities that are not measured at fair value through profit and loss.

Trade and other receivables

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current. Trade creditors are stated at their nominal value.

Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Derivatives

Additional text

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.10 Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

1.11 Inventories

Consumable stores are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.12 Revenue from exchange transactions

Service charges relating to refuse removal are raised by means of a rate, and the rate is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividends.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer. Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality not met the condition, a liability is recognised.

1.13 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on the time proportion basis.

Fines constitute both spot fines and summonses.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.14 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.15 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note . Annual Financial Statements.

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

1.16 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Event after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements . The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the Annual Financial Statements.

1.20 Related parties

Individuals, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

1.21 Comparative figures

Budgeted amounts have been included in the Annual Financial Statements for the current financial year

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are re classified. The nature and reason for the reclassification is disclosed

1.22 VAT

The Municipality accounts for Value Added Tax on invoice basis

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.23 Employee benefits

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the Contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

1.24 Investments

Financial instruments, which include short-term deposits invested in recognised commercial banks, are stated at cost.

1.25 Leases

Finance leases as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payment due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Municipality as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivables is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases - lessor

Operating lease income is recognised as revenue on a straight line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases -lessee

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the Statement of Financial Performance accrued on a straight-line basis over the term of the relevant lease.

1.26 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.27 Housing development fund

The Housing Development Fund is cash-backed and is dedicated to housing needs. The cash was generated by the sale of plots some years ago, and expenditure thereof is subject to approval of the Housing Board.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.28 Changes in accounting policies, estimated and errors

Changes in Accounting Policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period -specific effects or the cumulative effect of the change in policy in such cases the municipality reestimated the opening balances of assets, liabilities and net assets for earliest period for which retrospective restatement is practicable. Refer to the note for details of changes in accounting policies

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements, Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

1.29 Afforestation

The Harding Afforestation Scheme (the Scheme) is managed by NCT Tree Farming (Pty) Ltd (NCT) and NCT is paid a management fee for this service by the Scheme. The Scheme's annual net profit accrues to the Umuziwabantu Municipality (UM). In terms of the agreement between NCT and UM certain fixed assets and the plantations under the control of the Scheme are the property of, and will remain the property of, the Umuziwabantu Municipality. Biological assets (plantation inventories) are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. Increases or decreases in value are recognised in the income statement.

All expenses incurred in maintaining and protecting the assets are recognised in the income statement. Finance charges are not capitalised.

1.30 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.30 Impairment of cash-generating assets (continued)

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amount of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.31 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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2. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,686,000	-	1,686,000	1,568,400	-	1,568,400

Reconciliation of investment property - 2013

	Opening balance	Other changes, movements	Total
Investment property	1,568,400	117,600	1,686,000

Details of property

Various land where council has not determined future use and the fair value disclosed was based on an evaluation by an independent valuer, Mills Fitchet, who holds a recognised and relevant professional qualification and has recent experience in the category of the valued investment properties.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Umuziwabantu Municipality.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R			2012 R		
3. Property, plant and equipment						
	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	20,992,197	-	20,992,197	18,622,000	-	18,622,000
Buildings	12,989,852	(5,022,185)	7,967,667	17,427,511	(6,049,953)	11,377,558
Plant and machinery	7,065,567	(4,399,021)	2,666,546	6,024,698	(2,475,175)	3,549,523
Furniture and fixtures	2,009,625	(1,389,853)	619,772	2,245,445	(1,308,579)	936,866
IT equipment	1,328,409	(898,325)	430,084	1,474,160	(923,344)	550,816
Roads	56,413,078	(7,612,662)	48,800,416	57,711,095	(6,830,435)	50,880,660
Other property, plant and equipment	2,070,534	(2,821,757)	(751,223)	4,274,591	(2,045,564)	2,229,027
Other leased Assets	1,372,949	(425,443)	947,506	1,210,991	(439,188)	771,803
Cemeteries	5,993	(5,993)	-	5,993	(5,793)	200
Afforestation	1,564,248	(268,476)	1,295,772	1,211,363	(189,351)	1,022,012
Solid waste	3,607,928	(583,931)	3,023,997	2,707,426	(1,115,000)	1,592,426
Electricity	11,796,020	(4,799,726)	6,996,294	12,486,964	(3,877,053)	8,609,911
Under construction	48,900,991	-	48,900,991	16,989,676	-	16,989,676
Total	170,117,391	(28,227,372)	141,890,019	142,391,913	(25,259,435)	117,132,478

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Umuziwabantu municipality Refer to Appendix B for more detail on property, plant and equipment, The effective date of revaluation of land was 1 July 2009, and an independent valuer, Millsfitchet, was appointed to do the valuation. The valuation was determined at market related values or recent market transactions at arms's length, or were estimated.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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4. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	-	-	-	234,636	(168,677)	65,959

Reconciliation of intangible assets - 2013

	Opening balance	Disposals	Other changes, movements	Total
Computer software, other	65,959	(32,730)	(33,229)	-

Significant Intangible Assets:

Significant intangible assets, that did not meet the recognition criteria for intangible assets as stipulated in GRAP 102, are the following: Website costs incurred have been expensed and not recognised as intangible assets.

The amortisation expense has been included in the line item "Depreciation" in the Statement of Financial Performance

Reconciliation of intangible assets - 2012

	Opening balance	Other changes, movements	Total
Computer software, other	-	65,959	65,959

5. Receivables

Residual interest at cost

Other financial asset 1	500	500
Terms and conditions		

At amortised cost

Other financial asset 1	500	500
Loans and receivables 1	80,217	222,981

	80,217	222,981
	80,717	223,481

	-	-
	500	500
	80,717	223,481
Total other financial assets	81,217	223,981

Non-current assets

Residual interest at cost	500	500
At amortised cost	-	89,433
	500	89,933

Current assets

At amortised cost	80,217	133,548
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UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
Non-current assets	500	89,933
Current assets	80,217	133,548
	80,717	223,481

6. Employee benefit obligations

The Municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (only the 2012 interim has been completed).

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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6. Employee benefit obligations (continued)

Superannuation

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

A statutory (an interim) actuarial valuation of the Fund was carried out for the period ending 31 March 2012. The actuarial value of total assets was less than the actuarial value of liabilities for the service of members to that date and for pensioners by: 135000000 made up as follows:

For service to 31 March 2012

for pensioners - surplus funding level 116.0% (2008: surplus funding level 138.0%) - surplus R 405 000 000 for members - surplus funding level 93.0% (2008: surplus funding level 104.7%) - deficit -R 270 000 000

The fund hold an Investment Reserve at 31 March 2012. R 29 8300 000

Conclusion

For service to 31 March 2011

The funding level of the Fund for active members has deteriorated from 102.6% at 31 March 2008 to 96.0% at 31 March 2012.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

A statutory (an interim) actuarial valuation of the Fund was carried out for the period ending 31 March 2011. The actuarial value of total assets was less than the actuarial value of liabilities for the service of members to that date and for pensioners by: 234000000 made up as follows:

for pensioners - surplus funding level 114.7% (2008: surplus funding level 138.0%) - surplus R 315 500 000 for members - surplus funding level 84.7% (2008: surplus funding level 104.7%) - deficit -(R 549 500 000)

The fund hold an Investment Reserve at 31 March 2011.

Conclusion

The funding level of the Fund for active members has deteriorated from 102.6% at 31 March 2008 to 90.9% at 31 March 2011.

Post retirement benefit plan

For service 2012

The salient features of the Statutory (Interim) Valuation Report on the fund as at 31 March 2012 were that the net market value of the Fund's assets were nearly sufficient to fully cover the members share account and to provide total reserves of R 1 475 795 000 The liabilities of the Fund exceeded the assets by a small deficit (or unallocated assets) of which represents 7,05% of assets, is a feature of the smoothed bonus approach followed by the Fund and will be met from future investment earnings

Conclusion

For service March 2011

The market value of the assets approximately equaled the liabilities and reserves at the valuation date, and this was the same situation as at 31 March 2009.

The salient features of the Statutory (Interim) Valuation Report on the fund as at 31 March 2011 were that the net market value of the Fund's assets were nearly sufficient to fully cover the members share account and to provide total reserves of R 1 055 789 000 The liabilities of the Fund exceeded the assets by a small deficit (or unallocated assets) of R 156 000 which represents 0,05% of assets, is a feature of the smoothed bonus approach followed by the Fund and will be met from future investment earnings

Conclusion

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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6. Employee benefit obligations (continued)

The market value of the assets approximately equaled the liabilities and reserves at the valuation date, and this was the same situation as at 31 March 2009.

Retirement Fund

For service to 31 March 2012

The salient features of the interim valuation of the fund at 31 March 2012 are:

The actuarial value of total assets of the fund was less than that of the actuarial value of the liabilities for the service of members to that date and for pensioners by R -234 710 000 made up as follows:

For pensioners - funding level 115.3% (2009 : funding level 119.1%) - surplus 16790000 for members - funding level 82.0% (2009 : funding level 79.5%) - deficit -251500000

The fund did not hold an Investment Reserve.

Conclusion

For service to 31 March 2011

The funding level of the Fund for active members has increased from 79.5% at 31 March 2009 to 82.0% at 31 March 2012.

The salient features of the interim valuation of the fund at 31 March 2011 are:

The actuarial value of total assets of the fund was less than that of the actuarial value of the liabilities for the service of members to that date and for pensioners by R -322 600 000 made up as follows:

for pensioners - funding level 106.3% (2009 : funding level 119.1%) - surplus 59 700 000 for members - funding level 72.6% (2009 : funding level 79.5%) - deficit -(382 300 000)

The fund did not hold an Investment Reserve.

Conclusion

The funding level of the Fund for active members has increased from 79.5% at 31 March 2009 to 72.6% at 31 March 2011.

7. Plantation Investments

Plantation standing timber-Afforestation Scheme	20,099,488	17,142,122
Unlisted Investment	10,799	10,799
	<u>20,110,287</u>	<u>17,152,921</u>

The increase in fair value during the year was R 2 957 366 (2012 : R 1 901 920 increase) Plantation inventories are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determine pre-taxation rate. The Scheme held 1,475 (2012 : 1,049) hectares of plantation at year end. The scheme is exposed not anticipate that standing crop prices will decline significantly in the foreseeable future, and therefore, has not entered into any derivative or other contract to manage the risk of a decline in standing crop prices. The scheme reviews its outlook for standing timber prices regularly in considering the need for active financial risks management.

8. Inventories

Inventory as per general ledger - Electrical equipment	96,230	152,704
Store stock	35,613	13,451
Afforestation scheme	33,716	42,018
	<u>165,559</u>	<u>208,173</u>

The inventory value is considered as the lower of cost or net realisable value.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
9. Receivables from exchange other transactions		
Trade debtors	357,410	1,466,167
Deposits	10,400	10,400
	<u>367,810</u>	<u>1,476,567</u>

The Credit Control Policy states that the average credit period is 30 days. Interest is charged on overdue accounts and such interest is determined by Council. Management has profiled each debt and considered the effect of any impairment in the value of outstanding debt

The provision is made annually and is calculated by analysing all those above 90 days. The recoverability of debt owing by each above 90 days is assessed and the irrecoverable is classified based on the category area. No provision has been made with regards to property rate as these amounts are considered to be fully recoverable.

10. VAT receivable

VAT	<u>2,832,789</u>	<u>2,139,346</u>
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VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS

11. Consumer debtors

Gross balances

receivables from non - exchange transactions

Rates	7,887,741	10,235,056
receivables from non - exchange transactions		
Electricity	3,008,775	2,995,164
Refuse	1,014,215	835,974
Other (specify)	-	2,027,784
	<u>11,910,731</u>	<u>16,093,978</u>

Less: Allowance for impairment

Other (specify)	<u>(2,439,352)</u>	<u>(3,575,838)</u>
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Net balance

receivables from non - exchange transactions

Rates	7,887,741	10,235,056
receivables from exchange transactions		
Electricity	3,008,775	2,995,164
Refuse	1,014,215	835,974
Other (specify)	(2,439,352)	(1,548,054)
	<u>9,471,379</u>	<u>12,518,140</u>

Included in above is receivables from exchange transactions

Electricity	3,008,775	2,995,164
Refuse	1,014,215	835,974
	<u>4,022,990</u>	<u>3,831,138</u>

Included in above is receivables from non-exchange transactions (taxes and transfers)

Rates	7,887,741	10,235,056
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Net balance

	<u>11,910,731</u>	<u>14,066,194</u>
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UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
11. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	1,617,424	-
31 - 60 days	241,935	662,074
61 - 90 days	210,197	524,706
91 - 120 days	190,522	430,477
121 - 365 days	3,032,970	387,644
> 365 days	2,594,693	8,230,155
	7,887,741	10,235,056
Electricity		
Current (0 -30 days)	1,257,381	(100,460)
31 - 60 days	315,628	1,311,300
61 - 90 days	161,469	927,075
91 - 120 days	48,391	504,121
121 - 365 days	109,397	186,246
> 365 days	1,116,509	166,882
	3,008,775	2,995,164
Refuse		
Current (0 -30 days)	104,829	-
31 - 60 days	71,889	-
61 - 90 days	54,778	-
91 - 120 days	39,520	-
121 - 365 days	646,887	-
> 365 days	96,312	835,974
	1,014,215	835,974
Other (specify)		
Current (0 -30 days)	(171,645)	(100,685)
31 - 60 days	(67,425)	(70,936)
61 - 90 days	(2,949)	(67,264)
91 - 120 days	(243,598)	(3,571,156)
121 - 365 days	(1,953,735)	2,261,987
	(2,439,352)	(1,548,054)

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
11. Consumer debtors (continued)		
Summary of debtors by customer classification		
Households		
Current (0 -30 days)	368,645	400,576
31 - 60 days	593,048	448,978
61 - 90 days	371,185	398,674
91 - 120 days	4,587,412	722,488
	5,920,290	1,970,716
Industrial/ commercial		
Current (0 -30 days)	897,648	161,624
31 - 60 days	185,322	115,135
61 - 90 days	67,879	117,997
91 - 120 days	1,834,947	496,949
	2,985,796	891,705
National and provincial government		
Current (0 -30 days)	292,666	11,140
31 - 60 days	994,942	215,097
61 - 90 days	16,169	24,985
91 - 120 days	1,215,250	495,213
	2,519,027	746,435
Total		
Current (0 -30 days)	1,730,605	674,025
31 - 60 days	1,840,737	850,146
61 - 90 days	458,182	608,920
91 - 120 days	7,881,207	6,809,212
	11,910,731	8,942,303
Less: Allowance for impairment	(2,439,352)	3,575,837
	9,471,379	12,518,140
Less: Provision for debt impairment		
121 - 365 days	(2,439,352)	(3,575,838)
Reconciliation of allowance for impairment		
Reversal of allowance	(2,439,352)	(3,575,838)

The Credit Control Policy states that the average credit period is 30 days. Interest is charged on overdue accounts and such interest is determined by Council. Management has profiled each debt and considered the effect of any impairment in the value of outstanding debt

The provision is made annually and is calculated by analysing all those above 90 days . The recoverability of debt owing by each above 90 days is assessed and the irrecoverable is classified based on the category area, No provision has been made with regards to property rate as these amounts are considered to be fully recoverable

12. Cash and cash equivalents

Cash and cash equivalents consist of:

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
12. Cash and cash equivalents (continued)		
Cash on hand	7,408	4,690
Bank balances	959,525	1,503,995
Short-term deposits	32,167,959	29,994,045
	33,134,892	31,502,730

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
61240006266 FNB - Account Type - Investment	12,046,593	299,984	12,046,593	299,984
74299755982-FNB - Account Type - Investment	-	777,546	-	777,546
74299756021 FNB - Account Type - Investment	-	159,791	-	159,791
7429994655 FNB - Account Type - Investment	-	1,264,674	-	1,264,674
74299756097 FNB - Account Type - Investment	-	111,867	-	111,867
74300659552-FNB- Account Type - Investment	-	8,437,559	-	8,437,559
742996170 FNB - Account Type - Investment	-	447,551	-	447,551
037165014802 NedBANK - Account Type - Call Account	4,988,041	4,774,010	4,988,042	4,774,010
037165013008/000005 NedBANK - Account Type - Call Account Investment	1,920	68,206	1,920	68,206
037165013008/000004 NedBANK - Account Type - Call Account Investment	1,086	829,947	1,086	829,947
037165013008/000003 NedBANK - Account Type - Call Account Investment	5,279	6,220	5,279	6,220
037165015337 NedBANK - Account Type - Call Account Investment	4,459,644	1,340,539	4,459,644	1,340,539
037165016856 NedBANK - Account Type - Call Account Investment	9,537,515	10,232,122	9,537,515	10,232,122
1165033615-Nedbank-Harding-Current Account (Primary Bank Account)	959,525	1,503,995	935,569	1,503,995
50932742767-Current Account (Afforestation Scheme) First National Bank-Bank Street-Pietermaritzburg	1,117,855	1,244,029	1,117,856	1,244,029
Cash on Hand	7,408	4,690	7,408	4,690
037165018956-Nedbank -Harding-Call Account	10,025	-	10,025	-
Total	33,134,891	31,502,730	33,110,937	31,502,730

13. Revaluation reserve

Opening balance	26,468,400	26,468,400
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14. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2013

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Housing development fund	Other
Opening balance	2,570,196	3,981,424	60,779,076	142,352	4,293,922	45,420,146
Other	-	-	27,102,243	-	-	-
Other movements during the year	-	-	-	-	-	9,563,813
	2,570,196	3,981,424	87,881,319	142,352	4,293,922	54,983,959

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
<p>Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus. The Capital Replacement Reserve is a reserve to finance future capital expenditure and is invested in Capital Instruments. The Capitalisation Reserve is the carrying value of the items of Property, Plant and Equipment from the former legislated funds. The capitalisation reserve ensures community wealth and is not cash backed. The Donation and Public Contributions Reserve equals to the carrying value of the items of Property, Plant and Equipment financed from Public Contributions and Donations. The reserve ensures community wealth and is not cash backed. The Government Grant Reserve equals to the carrying value of items of Property, Plant and Equipment financed from government grants. The government grant reserve ensures community wealth and is not cash backed.</p>		
15. Other financial liabilities		
At amortised cost		
Annuity Loans	80,217	297,002
Non-current liabilities		
Annuity Loans	3,185	89,433
Current liabilities		
Annuity Loans	77,032	207,569
16. Finance lease obligation		
Non-current liabilities	440,208	387,359
Current liabilities	448,899	193,504
	889,107	580,863
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Eskom grant	-	10,800,000
CBD M/Plan & T/P Scheme	152,233	167,262
MSIG grant	-	90,942
Violence damage	-	391,101
Strategic environmental assessment	256,989	256,989
Small town rehabilitation	2,797,834	2,306,360
Management support grant	-	80,406
LUMS	73,000	73,000
REDS Support intergrat	-	150,000
MIG grant	9,894,274	11,953,597
Government expect funding	7,890	423,034
	13,182,220	26,692,691

The unspent conditional grants and receipts are invested in investment accounts until utilised

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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18. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation	1,955,700	1,319,995	3,275,695
Provision for Accrued Leave	1,695,180	200,719	1,895,899
	3,650,880	1,520,714	5,171,594

Staff leave is accrued to the staff of the municipality on an annual basis subject to certain conditions. The provision is the estimate of the amount due at the reporting date. The Landfill site is not registered with the Department of Environmental Affairs. The municipality is in the process of registration.

19. Payables from exchange transactions

Trade payables	6,504,694	3,495,527
Accrued bonus	1,382,817	1,236,886
Housing creditors	330,885	317,537
Other creditors	257,627	804,167
Retention	1,077,996	2,740,616
	9,554,019	8,594,733

The average credit period on purchases is 30 days from the receipt of the invoice as determined by the MFMA.

20. Consumer deposits

Electricity	506,111	516,510
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Consumer deposits are paid by consumers on application for new electricity connections. The deposits are paid when the electricity connections are terminated. In cases of consumers defaulting on their accounts the municipality can apply the deposit as payments for any outstanding balance.

21. Revenue

Afforestation Scheme sales	7,764,187	8,224,766
Service charges	21,014,983	19,385,794
Rental of facilities and equipment	113,368	101,437
Licences and permits	2,369,988	2,070,557
Other income - (rollup)	680,945	335,137
Government grants	27,102,243	17,735,681
Interest received - investment	1,592,461	1,658,788
Property rates	10,115,572	8,276,069
Property rates - penalties imposed	462,729	1,017,315
Government grants & subsidies	42,806,406	40,836,827
Fines	255,188	626,736
	114,278,070	100,269,107

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
21. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Afforestation Scheme sales	7,764,187	8,224,766
Service charges	21,014,983	19,385,794
Rental of facilities and equipment	113,368	101,437
Licences and permits	2,369,988	2,070,557
Other income - (rollup)	680,945	335,137
Government grants	27,102,243	17,735,681
Interest received - investment	1,592,461	1,658,788
Gain or loss on disposal of assets and liabilities	110,000	129,862
	60,748,175	49,642,022
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	10,115,572	8,276,069
Property rates - penalties imposed	462,729	1,017,315
Transfer revenue		
Government grants & subsidies	42,806,406	40,836,827
Fines	255,188	626,736
	53,639,895	50,756,947

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
22. Property rates		
Rates received		
Residential	1,513,704	2,322,808
Commercial	4,354,710	3,196,235
State	3,178,810	2,465,735
Agriculture	419,839	(219,915)
Public Service Infrastructure	(6,325)	6,905
Tourism	140,625	-
Communal	838,278	748,235
Less: Income forgone	(324,069)	(243,934)
	<u>10,115,572</u>	<u>8,276,069</u>
Property rates - penalties imposed	<u>462,729</u>	<u>1,017,315</u>
	<u>10,578,301</u>	<u>9,293,384</u>
Valuations		
Residential	403,832,633	326,041,000
Commercial	290,314,000	207,572,000
State	331,126,000	266,089,000
Agriculture	348,524,000	279,727,000
Public Service Infrastructure	5,750,000	4,787,928
Tourism	93,142,000	90,503,000
Communal	25,197,000	20,687,400
Property rates 3	146,634,000	10,936,000
Property rates 4	11,250,000	-
	<u>1,655,769,633</u>	<u>1,206,343,328</u>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions. Different rate randages for Domestic, Commercial, Industrial and State properties are applied to property valuations to determine assessment rates. Rates are levied annually. Market related interest is levied on outstanding rates.

23. Service charges

Sale of electricity	19,608,129	18,154,339
Refuse removal	1,406,854	1,231,455
	<u>21,014,983</u>	<u>19,385,794</u>

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
24. Government grants and subsidies		
Equitable share	37,070,034	34,354,602
Government grant	580,173	253,190
Tourism	-	291,929
Free Basic Electricity	2,700,000	2,484,000
LG SETA	17,624	183,226
Subsidy	-	417,537
Library services	-	268,801
Local government management	1,500,339	1,369,628
Omovincialisation of libraries	105,800	100,800
MSIG	832,436	1,000,314
Environmental Affairs	-	112,800
	42,806,406	40,836,827

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Equitable Share

Current-year receipts	43,199,000	38,288,000
Conditions met - transferred to revenue	(40,199,000)	(36,838,602)
Used to finance capital expenditure	(3,000,000)	(1,449,398)
	-	-

Conditions still to be met - remain liabilities (see note 17).

NEP GRANT (ESKOM)

Balance unspent at beginning of year	10,800,000	10,800,000
Conditions met - transferred to revenue	(10,800,000)	-
	-	10,800,000

Conditions still to be met - remain liabilities (see note 17).

This grant was provided by Eskom to municipalities to address the backlog of occupied residential dwellings the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply

CBD M/TP SCHEME GRANT

Balance unspent at beginning of year	167,262	167,262
Conditions met - transferred to revenue	(15,029)	-
	152,233	167,262

Conditions still to be met - remain liabilities (see note 17).

This grant is used to develop CBD Master Plan and Town Planning Scheme for Harding town.

Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	90,942	90,942
Current-year receipts	800,000	-
Conditions met - transferred to revenue	(890,942)	-
	-	90,942

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
24. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 17).		
This grant is used for infrastructure, capacity building and restructuring . The capacity building and restructuring grants were set up to assist the municipality in developing their planning, budgeting, financial management and technical services.		
VIOLENCE DAMAGED HOUSES GRANT		
Balance unspent at beginning of year	391,101	391,101
Conditions met - transferred to revenue	(391,101)	-
	<u>-</u>	<u>391,101</u>
Conditions still to be met - remain liabilities (see note 17).		
This grant is used to renovate houses that were damaged by violence.		
STRATEGIC ENVIRONMENTAL ASSESSMENT GRANT		
Balance unspent at beginning of year	<u>256,989</u>	<u>256,989</u>
Conditions still to be met - remain liabilities (see note 17).		
This grant was recieved from Dept of Agriculture to do Environtmental Assessment within the municipality.		
SMALL TOWN REHABILITATION GRANT		
Balance unspent at beginning of year	2,306,360	2,306,360
Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(4,508,526)	-
	<u>2,797,834</u>	<u>2,306,360</u>
Conditions still to be met - remain liabilities (see note 17).		
KZN Cogta Grant in regards of Small Town Rehabilitation.		
FINANCE MANAGEMENT GRANT (FMG)		
Balance unspent at beginning of year	80,406	80,406
Current-year receipts	1,500,000	-
Conditions met - transferred to revenue	(1,580,406)	-
	<u>-</u>	<u>80,406</u>
Conditions still to be met - remain liabilities (see note 17).		
This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA. As part of strengthening financial and asset management in municipalities, the grant provided funding for an internship programme.		
LAND USE MANAGEMENT SYSTEM (LUMS) GRANT		
Balance unspent at beginning of year	<u>73,000</u>	<u>73,000</u>
Conditions still to be met - remain liabilities (see note 17).		
This grant was provided to assist in the development of Land Use Management System.		

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
26. General expenses		
Internal Audit	133,266	220,236
Advertising	179,440	209,658
Auditors remuneration	1,050,041	1,037,482
Bank charges	147,080	170,389
Consulting and professional fees	461,107	41,282
Stores and Materials	778,628	787,163
Entertainment	130,157	89,974
Insurance	142,794	256,131
Conferences and seminars	626,729	454,522
IT expenses	49,795	-
Finance lease charges	192,791	182,246
Levies	226,339	200,206
Motor vehicle expenses	74,690	56,784
Fuel and oil	1,139,703	986,231
Operating Lease payments (Rent)	208,238	173,701
Postage and courier	51,257	47,762
Printing and stationery	339,250	264,400
Promotions	35,864	9,210
Protective clothing	210,902	192,348
Projects	285,077	131,508
Research and development costs	300,000	300,000
Legal expenses	178,201	9,419
Staff welfare	45,710	28,688
Subscriptions and membership fees	836,736	156,249
Telephone and fax	792,328	783,224
Training	378,685	215,591
Travel - local	498,129	432,835
Assets expensed	16,216	6,461
Electricity	312,904	328,424
Water	562,664	273,271
Refuse	16,983	1,784
Capital Expenditure	346,173	-
Office Expenses	306,220	189,768
LED Fund	466,770	483,059
Free basic services	594,135	755,794
Free basic services	2,509,020	2,198,383
Accrued Leave	477,871	818,165
Afforestation Expenses	50,968	-
Other expenses	4,452,871	2,304,348
	19,605,732	14,796,696

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
27. Employee related costs		
Basic	19,304,020	17,706,279
Medical aid - company contributions	992,056	895,072
UIF	192,872	181,285
WCA	126,076	-
Post-employment benefits - Pension - Defined contribution plan	3,419,720	2,964,829
Overtime payments	1,984,030	1,852,776
Housing benefits and allowances	143,061	127,517
Allowances	1,609,750	1,555,871
Bargaining Council Levy	11,104	7,364
Provision for bonus	-	1,236,886
	27,782,689	26,527,879
Remuneration of Municipal Manager: Mr SD Mbhele (546)		
Annual Remuneration	746,570	740,887
Car Allowance	177,594	133,665
Contributions to UIF, Medical and Pension Funds	1,713	1,497
	925,877	876,049
Remuneration of Chief Financial Officer Ms ST Mhlongo (11068)		
Annual Remuneration	659,000	300,214
Car Allowance	36,283	75,231
Contributions to UIF, Medical and Pension Funds	41,722	9,766
	737,005	385,211
Remuneration of Corporate Services Ms N Sigwebela(1078)		
Annual Remuneration	435,558	440,125
Car Allowance	151,558	127,331
Contributions to UIF, Medical and Pension Funds	53,747	1,497
	640,863	568,953
Remuneration of Technical Services: Mr M Guzowski		
Annual Remuneration	435,558	419,647
Car Allowance	134,995	127,331
Contributions to UIF, Medical and Pension Funds	1,713	1,497
	572,266	548,475
28. Remuneration of councillors		
Councillors	4,947,635	4,758,769
Telephone allowance	255,284	235,390
Cellphone Allowance	4,060	-
	5,206,979	4,994,159
Mayor	636,744	494,665
Deputy Mayor	530,105	480,793
Councillors	4,040,130	4,018,701
	5,206,979	4,994,159

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
28. Remuneration of councillors (continued)		
In-kind benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of a Council owned vehicle for official duties and has one full-time bodyguards/driver.		
29. Administrative expenditure		
Administration and management fees - third party	248,266	234,194
Administration and management fees - related party	3,248,350	2,873,257
	<u>3,496,616</u>	<u>3,107,451</u>
30. Debt impairment		
Debt impairment	<u>891,299</u>	<u>171,253</u>
31. Investment revenue		
Interest revenue		
Bank	1,592,461	1,658,788
	<u>1,592,461</u>	<u>1,658,788</u>
32. Fair value adjustments		
Biological assets - (Fair value model)	<u>2,957,366</u>	<u>(1,901,920)</u>
33. Depreciation and amortisation		
Property, plant and equipment	<u>4,852,231</u>	<u>4,618,476</u>
34. Impairment of assets		
Impairments		
Property, plant and equipment	-	1,238,219
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	-	1,238,219
	<u>-</u>	<u>-</u>
35. Finance costs		
Finance leases	68,209	84,630
DBSA- Electricity	35,374	103,112
Afforestation Scheme	-	157
	<u>103,583</u>	<u>187,899</u>
36. Auditors' remuneration		
Expenses	<u>1,050,041</u>	<u>1,037,482</u>

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
37. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	113,368	101,437
Premises	-	-
Garages and parking	-	-
Facilities and equipment	<u>113,368</u>	<u>101,437</u>
38. Contracted services		
Security	<u>364,132</u>	<u>2,411,225</u>
39. Grants and subsidies paid		
Other subsidies		
Contribution to UGU	220,000	157,500
Grants paid to ME's	-	-
Other subsidies	<u>220,000</u>	<u>157,500</u>
40. Bulk purchases		
Electricity Purchases	6,978,831	6,613,144
Electricity Purchases	10,350,364	9,529,961
	<u>17,329,195</u>	<u>16,143,105</u>
Electricity Distribution Losses for the year 2012/2013 are 5% of the Kwh bought and R 2 017 441 in rand value		
Electricity Distribution Losses for the year 2011/2012 are 10% of the Kwh bought and R 2 017 734 in rand value		
41. Cash generated from operations		
Surplus	31,042,994	16,889,207
Adjustments for:		
Depreciation and amortisation	4,852,231	4,618,476
(Loss) gain on sale of assets and liabilities	(110,000)	159,526
Changes in value of plantation	(2,957,366)	1,901,920
Finance costs - Finance leases	68,209	84,630
Impairment deficit	-	1,238,219
Debt impairment	891,299	171,253
Movements in provisions	1,520,714	(1,658,788)
Other Movement	2,354,474	-
Proir error	-	64,871,749
Changes in working capital:		
Inventories	42,614	(71,472)
Receivables from exchange other transactions	1,108,757	(10,900,173)
Consumer debtors	2,155,462	(780,642)
Payables from exchange transactions	959,289	208,582
VAT	(693,443)	(4,836,719)
Unspent conditional grants and receipts	(13,510,471)	(1,731,047)
Consumer deposits	(10,399)	(9,540)
	<u>27,714,364</u>	<u>70,155,181</u>

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
42. Other cash item 1		
43. Commitments		
Authorised capital expenditure		
Commitments in respect of capital expenditure:		
• Infrastructure	19,496,069	17,507,000
• Community	9,000,000	5,996,000
• Other	-	252,000
• Approved and contracted for	18,972,281	18,214,526
	47,468,350	41,969,526
Commitments in respect of operating expenditure		
• Approved but not yet contracted for	610,000	610,000
• Approved and contracted for	5,760,759	6,023,663
	6,370,759	6,633,663

44. Related parties

There are no related parties transactions.

45. Prior period errors

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Accumulated Surplus

Property, plant and equipment	(142,693,038)	0
MSIG Income (Increase revenue)	(58,536)	0
FMG Income (Increase Revenue)	(80,067)	0
Reversal of Land fill provision (Expenditure-Decrease in expenditure)	(1,955,700)	0
Reversal of Landfill provision(Decrease in liabilities)	1,764,900	-
Provision (Finance costs prior year-increase in expenditure)	207,633	-
Depreciation - Landfill site (increase in expenditure)	273,202	-
Prior year adjustment for depreciation charges(Decreases in expenditure)	(168,677)	0
Prior year adjustments for the costs of assets (Increase in Assets)	(1,717,859)	0
Property rates difference revenue forgone (Decrease in revenue)	265,497	-
Share Investments	(500)	-
Prior year adjustment Cash and Cash Equivalent(NCT)	(1,244,029)	-
Prior year adjustment Fraud Control Account	(276,126)	-
Prior Adjustment to Ugu Debt	2,027,784	-
Net effect in accumulated surplus	(962,478)	-
Restated Accumulated Surplus	(143,655,516)	-

Statement of Net Changes in Net Asset

Correction of Prior Error	5,623,062	-
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46. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2013

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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52. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	2,832,789	2,139,346
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VAT output payables and VAT input receivables are shown in note 11.

All VAT returns have been submitted by the due date throughout the year.

Contingent Liability

Contingent Liability (Litigations matters) R 1 814 887.13- Access road Hlabe to KwaNgubelanga (early termination of contract)

and other Municipal By-laws implementation disputes

Wage Curve Agreement :

On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. The Municipality has not yet stated the process of the job evaluations and as a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional payable for employee wages, depending on the outcome of the pending litigation and finalization of Job evaluation . As a result of the above standing issues is not practicable to reliably estimate the amount of this payable.

53. Budget differences

Material differences between budget and actual amounts

See Statement of comparison on Budget and Actual amount and Appendix E

54. Changes in value of plantation

Changes in value of plantation	2,957,366	(1,901,920)
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Plantation standing timber - Afforestation Scheme

The increased in fair value during the year was R2 957 366 (2012: R1 901 920 increase)

Plantation inventories are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. Increases or decreases in value are recognised in the Statement of Financial Performance. All expenses incurred in maintaining and protecting the assets are recognised in the Statement of Financial Performance.

Finance charges are not capitalised.

The Scheme held 1,049 (2010 : 1,049) hectares of plantations at year end. The Scheme is exposed to financial risks arising from changes in standing timber prices. The Scheme does not anticipate that standing crop prices will decline significantly in the foreseeable future, standing timber prices. The Scheme does not anticipate that standing crop prices will decline significantly in the foreseeable future,

The Scheme reviews its outlook for standing timber prices regularly in considering the need for active financial risks management.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
47. Unauthorised expenditure		
Opening balance	10,696,865	4,394,969
Unauthorised expenditure for the current year	-	6,301,896
Approved/Condoned by Council	(10,696,865)	-
	<u>-</u>	<u>10,696,865</u>
48. Fruitless and wasteful expenditure		
Opening balance	7,849	7,849
Approved/Condoned by Council	(7,849)	-
	<u>-</u>	<u>7,849</u>
49. Irregular expenditure		
Opening balance	3,257,126	638,223
Irregular Expenditure for the current year	867,212	2,618,903
Approved/Condoned by Council	(4,124,338)	-
Irregular expenditure for the year not yet condoned by Council	1,435,246	-
	<u>1,435,246</u>	<u>3,257,126</u>
50. Additional Note		
51. Additional Note		
52. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Council subscriptions	838,779	144,240
Amount paid - current year	(838,779)	(144,240)
	<u>-</u>	<u>-</u>
Audit fees		
Current year audit invoices	1,051,140	1,083,877
Amount paid - current year	(1,051,140)	(1,083,877)
	<u>-</u>	<u>-</u>
PAYE and UIF		
Current year payroll deductions and Council Contributions	4,185,797	3,836,851
Amount paid - current year	(4,185,797)	(3,836,851)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year payroll deductions and Council Contributions	6,557,207	5,836,581
Amount paid - current year	(6,557,207)	(5,836,581)
	<u>-</u>	<u>-</u>

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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55. Councillors accounts in arrear

No councillors were in arrears as at 30 June 2013

56. Afforestation

The municipality's plantations are known as The Umuziwabantu Municipality Harding Afforestation Scheme. This Scheme has entered into an agreement with NCT Forestry Co-operative in terms of which the latter has taken over the management of the timber plantations owned by The Umuziwabantu Municipality Harding Afforestation Scheme. By agreement this function is now being performed by NCT Tree Farming (Pty) Ltd, a wholly owned subsidiary of the co-operative.

In terms of this agreement NCT Tree Farming (Pty) Ltd is entitled to a profit share equal to 5% of the net profit generated by the forestry operations prior to the deduction of such fee.

Further, NCT Tree Farming (Pty) Ltd is not entitled to any payment other than the recovery of direct costs should the forestry operation not make a profit, or if a loss is made in any year, nor is it liable for any losses other than in the case of NCT Tree Farming (Pty) Ltd's negligence in terms of the agreement.

No taxation has been provided as the net income is attributable directly to the Umuziwabantu Municipality. In previous years the Afforestation Scheme was accounted for using the equity method. From 1 July 2007 the Scheme's operations have been incorporated on a line-by-line basis into the financial statements.

57. Private public partnerships

The municipality was not a party to any Private Public Partnerships during the financial year 2012/2013

58. Housing Development Fund

Property plant and equipment	763,053	763,053
Housing rental debtors	50,354	50,354
Cash resources	3,798,052	3,798,052
Creditors	(317,537)	(317,537)
	4,293,922	4,293,922

The Housing development fund is represented by the above assets and liabilities as at 30 June 2013

59. Supply chain section 36 deviations

Thuthukani Taxi Association	178,200	-
Edwins Motors	13,010	139,272
EMC Motors	17,392	144,941
Sky Blue Media	11,965	-
South Coast Herald	15,569	-
Harvey World	18,233	185,035
Thompson Motors	33,535	-
Other deviations	1,514,085	689,920
	1,801,989	1,159,168

UMUZIWABANTU LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2013

as at 30 June 2013						
EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2012	Received during the period	Redeemed / written off during the period	Balance at 30 June 2013
R R R R R R						
LONG-TERM LOANS						
Stock Loan @ x% 2						
Stock Loan @ x% 3						
Stock Loan @ x% 4						
Stock Loan @ x% 5						
Stock Loan @ x% 6						
Stock Loan @ x% 7						
Stock Loan @ x% 8						
Total long-term loans						
PPE Loan (Motor Vehicles						
First National Bank 9,85%(Prime + 1,35)			74,020	-	(74,020)	-
GOVERNMENT LOANS						
Development Bank SA @ 15,8%			137,547	-	(57,330)	80,217
Development Bank SA @ 15,8%						
Total Government Loans			211,567	-	(131,350)	80,217
TOTAL EXTERNAL LOANS						

APPENDIX B
UMUZIWABANTU MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2013

	Opening Balance	Fair Value	Additions	Disposals	Cost Revaluation Adjustments	Prior Year Adjustment	HIDER Total	Closing Balance	Opening Balance	Current Year	Accumulated Depreciation	Write Downs	Impairments	Prior Year Adjustment	Closing Balance	Carrying Value
Land	18,759,000	-	-	-	-	988,107	19,714,197	19,714,197	-	-	-	-	-	-	-	19,714,197
Buildings	17,289,519	-	-	-	-	(4,303,667)	12,985,852	12,985,852	9,049,952	430,886	-	-	-	(1,141,993)	5,338,845	7,851,007
Infrastructure	72,911,476	-	22,016	(90,422)	-	(3,022,884)	69,820,186	69,820,186	11,838,280	2,573,850	(6,028)	-	-	(1,600,028)	12,758,076	57,094,111
Roads	2,707,426	-	22,016	(90,422)	-	(1,268,015)	55,413,078	55,413,078	6,830,435	2,075,135	-	-	-	(1,355,487)	7,545,093	48,868,290
Solid Waste	5,993	-	-	-	-	(1,083,925)	1,805,065	1,805,065	1,114,969	106,661	(8,028)	-	-	(785,217)	4,664,415	1,180,880
Cemeteries	12,489,984	-	-	-	-	(0)	5,993	5,993	5,764	-	-	-	-	200	5,984	(1)
Electricity	-	-	-	-	-	(980,944)	11,789,020	11,789,020	3,877,052	390,054	-	-	-	522,478	4,789,584	7,096,438
Assets Under Construction	16,989,677	-	21,336,023	-	-	10,665,291	48,990,991	48,990,991	-	-	-	-	-	-	-	48,990,991
Other	14,018,690	-	285,033	(1,332,783)	(11,748)	473,016	13,433,271	13,433,271	6,755,872	1,890,686	(33,970)	-	-	893,739	8,693,267	4,549,078
Furniture & Office Equipment	2,245,448	-	39,261	(330,877)	(81,765)	61,455	2,085,503	2,085,503	2,045,694	335,520	(16,463)	-	-	(141,298)	1,992,368	622,508
Transport Assets	4,274,580	-	-	(135,439)	(6,366)	(6,366)	4,132,757	4,132,757	2,465,694	1,901,229	(8,084)	-	-	(161,672)	2,589,568	1,893,189
Computer Equipment	1,474,160	-	190,052	(163,355)	(1,820)	(140,761)	1,326,157	1,326,157	2,492,984	190,129	(8,084)	-	-	(1,076,128)	4,865,365	1,909,595
Machinery and Equipment	8,024,984	-	55,700	(673,084)	-	558,842	5,965,653	5,965,653	2,480,390	517,767	(8,910)	-	-	-	4,685,365	1,909,595
Finance Leases	1,210,988	-	444,006	(282,053)	-	0	1,372,940	1,372,940	439,169	217,400	(40,293)	-	-	(151,374)	464,822	908,026
Afforestation (consolidated)	1,211,383	-	(28,217)	-	207,433	2,195,612	1,540,449	1,540,449	188,351	76,038	(20,712)	-	-	273,202	244,877	1,295,772
Solid Waste (Landfill Site)	-	-	-	-	-	-	2,393,248	2,393,248	-	273,202	-	-	-	-	546,404	1,346,841
	142,391,621	367,303	21,678,860	(1,705,228)	105,618	(3,709,425)	170,164,239	170,164,239	25,859,444	4,862,231	(101,003)	-	-	(1,736,492)	28,774,220	141,690,078

ANALYSIS OF INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Opening Balance	Fair Value	Additions	Disposals	Cost Revaluation Adjustments	Prior Year Adjustment	HIDER Total	Closing Balance	Opening Balance	Current Year	Accumulated Depreciation	Write Downs	Impairments	Prior Year Adjustment	Closing Balance	Carrying Value
Intangible Assets	234,638	-	-	(241,695)	7,269	-	109,677	109,677	-	-	-	-	-	-	-	109,677

ANALYSIS OF INVESTMENT PROPERTY FOR THE YEAR ENDED 30 JUNE 2013

	Opening Balance	Fair Value	Additions	Disposals	Cost Revaluation Adjustments	Prior Year Adjustment	HIDER Total	Closing Balance	Opening Balance	Current Year	Accumulated Depreciation	Write Downs	Impairments	Prior Year Adjustment	Closing Balance	Carrying Value
Investment Properties	1,896,400	-	-	-	87,600	-	1,896,000	1,896,000	-	-	-	-	-	-	-	1,896,000

NOTES:
Investment Properties: The effective date of revaluation of land for investment properties was 30 June 2013

APPENDIX C

Notes:
As Appendix B

June 2013

Segmental Statement of Financial Performance for the year ended
Yearly **Yearly**

[illegible]

UMUZIWABANTU MUNICIPALITY

Appendix D

June 2013

**Segmental Statement of Financial Performance for the year ended
Yearly**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand			Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
				Rand			
-	-	-			-	-	-
-	-	-			-	-	-
-	-	-			-	-	-
-	-	-			-	-	-
-	-	-			-	-	-
-	-	-			-	-	-
100,398,969	83,509,762	16,889,207	Total		114,388,070	83,345,076	31,042,994

UMUZIWABANTU MUNICIPALITY

Appendix E(1)

June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year		Variance	Explanation of Significant Variances greater than 10% versus Budget
	2013 Act. Bal.	2013 Adjusted budget Rand	Rand	Var
Revenue				
Sale of goods	7,764,187	-	7,764,187	- Not Applicable
Fines	255,188	242,568	12,620	5.2 Not Applicable
Govt Grants & Subsidies	42,806,406	42,806,406	-	- Not Applicable
Property Rates-Penalties	462,729	115,500	347,229	300.6 Penalties charged in relation to outstanding debt
Property rates	10,115,573	9,004,173	1,111,400	12.3 Interim Rates processed for Public works increasing revenue
Service charges	21,014,983	25,803,026	(4,788,043)	(18.6) Less electricity sales due to consumers reducing consumption
Rental of facilities and equipment	113,368	101,508	11,860	11.7 More people hired facilities than projected
Licences and permits	2,369,988	2,535,750	(165,762)	(6.5) Not Applicable
Other income - (rollup)	680,945	232,142	448,803	193.3 Did not collect as per the forecasted figures
Government grants	27,102,243	27,102,243	-	- Not Applicable
Interest received - investment	1,592,461	2,904,227	(1,311,766)	(45.2) Less interest earned on investments
	114,278,071	110,847,543	3,430,528	3.1
Expenses				
Personnel	(27,782,684)	(27,554,549)	(228,135)	0.8 Not Applicable
Remuneration of councillors	(5,206,979)	(5,449,659)	242,680	(4.5) Not applicable
Administration	(3,496,616)	-	(3,496,616)	-
Transfer payments	(4,220,150)	-	(4,220,150)	-
Depreciation	(4,852,231)	(5,407,483)	555,252	(10.3)
Impairments	-	-	-	-
Finance costs	(103,584)	(120,838)	17,254	(14.3) less leases were undertaken during the year
Debt impairment	(891,299)	-	(891,299)	-
Repairs and maintenance	(2,229,836)	(3,528,482)	1,298,646	(36.8) less expenses on the vote
- General	(17,329,195)	(21,860,854)	4,531,659	(20.7) less electricity was bought than forecasted
Bulk purchases				

UMUZIWABANTU MUNICIPALITY

Appendix E(1)

June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year		Variance	Explanation of Significant Variances greater than 10% versus Budget
	2013	2013		
	Act. Bal.	Adjusted budget		
Contracted Services	(364,133)	(368,050)	3,917	(1.1)
Grants and subsidies paid	(220,000)	(200,000)	(20,000)	10.0
General Expenses	(19,605,726)	(52,131,142)	32,525,416	(62.4) less expenses were incurred during the year than forecasted
	(86,302,433)	(116,621,057)	30,318,624	(26.0)
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	110,000	1,483,956	(1,373,956)	(92.6) disposals were done after year-end
Fair value adjustments	2,957,366	-	2,957,366	-
	3,067,366	1,483,956	1,583,410	106.7
Net surplus/ (deficit) for the year	31,043,004	(4,289,558)	35,332,562	(823.7)

IMUZIWABANTU MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF NFIA, 56 OF 2003

FOR THE YEAR ENDED 30 JUNE 2013

Name of Grants	Name of Organ or State or Municipal Entity	Quarterly Receipts						Quarterly Expenditure							Grants & Subsidies delayed/withheld	Reason for Delay /withholding funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest DORA	Reason for non-compliance
		July to Sept 2012	Oct to Dec 2012	Jan to Mar 2013	April to June 2013	Total 30-Jun-13	July to Sept 2012	Oct to Dec 2012	Jan to Mar 2013	April to June 2013	Total Expenditure 2013							
		1	2	3	4	-	1	2	3	4								
KSSKOM		10,800,000				10,800,000			10,800,000.00		10,800,000	-					YES	N/A
CBD IMPLAN		167,261.99				167,262					15,029.19	-		152,233			YES	N/A
GOVERNMENT EXPECTS		423,033.70				423,034			415,144.00		415,144	-		7,890			YES	N/A
NSIG		890,941.94				890,942	(37,933,41)	128,444.94	137,858		962,572	-		890,942			YES	N/A
VIOLENCE DAMAGE		391,101.17				391,101	54,916.79	151,932.91	163,755		20,497	-					YES	N/A
STRATEGIC ENVIRON DEPT AGRIC		259,989.00				259,989						-		259,989			YES	N/A
SMALL TOWN REHAB		2,306,360.02	5,000,000.00			7,306,360	327,028.39				4,181,496	-		2,797,834			YES	N/A
FHWG		1,590,405.72				1,590,406	638,998.18	431,778	410,188		1,580,406	-					YES	N/A
LUNS		73,000.00				73,000						-		73,000			YES	N/A
MIG		19,525,566.78	6,480,000.00	4,299,000.00		30,304,567	863,437.00	2,105,292	4,592,131	12,849,462	20,410,323	-		9,894,274			YES	N/A
HEDS		190,000.00				190,000			150,000		150,000	-					YES	N/A
LIBRARY CYBER		350,630.00				350,630	90,281	138,700	120,810		350,800	-		-0			YES	N/A
-		36,915,490	11,480,000	4,299,000	52,694,490	52,694,490	1,936,699	2,957,146	16,789,886	17,628,540	39,512,271	-		13,182,220			YES	N/A